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Education Dean's Fraud Case Teaches U. of Louisville a Hard Lesson

The former official now awaits trial. Some colleagues say the university should have caught him earlier.

By DAVID GLENN

At the end of 2005, Robert D. Felner was riding high. A well-paid dean at the University of Louisville, he had just secured a $694,000 earmarked grant from the U.S. Department of Education to create an elaborate research center to help Kentucky's public schools.

The grant proposal, which Mr. Felner had labored over for months, made some impressive promises. Five Louisville faculty members would devote time to the center, and four other people would be hired. The advisory board would be led by Virginia G. Fox, Kentucky's secretary of education.

On paper this all seemed plausible: From 1996 until 2003, Mr. Felner directed the University of Rhode Island's education school, where he helped create a well-regarded statewide research center.

To put it gently, Mr. Felner did not duplicate that feat at Louisville.

By the spring of 2008, all but $96,000 of the grant had been spent, but none of the tasks listed in Mr. Felner's proposal had been accomplished. Hundreds of thousands of surveys of students, teachers, and parents? School officials in Kentucky say they know of no such studies. Conferences and special issues of education journals? None. An advisory committee led by the state's top education officials? They say they never heard of Mr. Felner's center.

At this point, Mr. Felner was heading for the exit, continuing his climb up the academic ladder. Late in May 2008, he told his colleagues that he had been hired as chancellor of the University of Wisconsin-Parkside, effective August 1.

During his final weeks at Louisville, Mr. Felner pressed his luck one last time. Even though only $96,000 remained in the account, he implored Louisville officials to approve a $200,000 subcontract with a nonprofit organization in Illinois that had already received $450,000 from the grant. Perhaps, he suggested, the university could draw on a special fund that had been established by the daughter of a former trustee.

The Illinois group, Mr. Felner said, had been surveying students and teachers in Kentucky. That survey would "let us give the feds something that should make them very happy about the efficiency and joint commitment of the university to doing a good job with an earmark, as I know we will want more from this agency," he wrote in an e-mail message on June 18.

Two days later, Mr. Felner's offices were raided by federal agents who took away his files and laptops. He was questioned for hours by a U.S. Postal Service inspector and a member of the

University of Louisville's police department. That weekend he called Wisconsin officials: Sadly, he wouldn't be coming to Parkside after all.

In October a federal grand jury indicted Mr. Felner on nine counts of mail fraud, money laundering, and tax evasion. According to the indictment, the Illinois nonprofit group, known as the National Center on Public Education and Prevention, was simply a shell that funneled money into the personal bank accounts of Mr. Felner and Thomas Schroeder, a former student of his and the group's "executive director." Prosecutors say the two men siphoned away not only the $694,000 earmarked grant, but also $1.7-million in payments from three urban school districts, money that ought to have gone to the legitimate public-education center that Mr. Felner had created in Rhode Island.

Mr. Felner and Mr. Schroeder now await trial on charges that could send them to prison for decades. No trial date has been set.

None of the accusations have been proved in court, and Mr. Felner's lawyers have signaled in pretrial briefs that they will defend him aggressively. (They declined to comment for this article.)

But two facts seem hard to avoid: All but $96,000 of the earmarked grant has been spent. And there is no evidence that the activities listed in Mr. Felner's grant proposal have been carried out.

A Question of Oversight

When Louisville accepted the earmarked grant, its officials signed the boilerplate language attached to most federal contracts. The university, they promised, had "the institutional, managerial, and financial capability ... to ensure proper planning, management, and completion of the project."

But did it in fact have that capability? For several months in 2007, Mr. Felner charged almost $37,000 of his salary against the grant, but there is no evidence that he ever worked on the project. (In an October 2008 memorandum, Robert N. Ronau, the college of education's associate dean for research, declared that he knew of no reports, articles, or other products that resulted from the grant.). Federal regulations require that universities use "suitable means of verification that the work was performed" when they prepare time-and-effort reports; Louisville officials declined to comment on how Mr. Felner's time-and-effort reports were processed.) And when he sent his first big payment to the Illinois group, Mr. Felner constructed the deal as a personal-services contract instead of a formal subcontract, which would have been subject to more oversight by the university. But no one corrected that error for more than a year.

In the months since Mr. Felner's indictment, Louisville has seen a parade of blue-ribbon committees, auditors, and management consultants. University leaders insist that they have streamlined their research-compliance systems to prevent any more trouble. They also emphasize that it was a university employee who tipped off law enforcement to Mr. Felner's actions. (Who did this and when remains a mystery — but e-mail records obtained by *The Chronicle* make clear that by May 2008, Louisville's research administrators were becoming more openly skeptical of Mr. Felner's claims.)

"What these reports have affirmed is that we basically have pretty good practices in place," says Shirley C. Willihnganz, Louisville's provost. "I think what we had in this case was a person who abused the system. And so it's not so much that our policies were bad or that our procedures were bad. We had a person who did not follow them and did not respect them."

But some of Mr. Felner's former colleagues insist that he should have been stopped long before the spring of 2008. They say the university coddled Mr. Felner and turned a blind eye to his grant management, in part because the doctoral program in education rose impressively in the annual *U.S. News & World Report* rankings after his arrival. If the university had paid more attention to the many faculty and student grievances against Mr. Felner — and especially to a 2006 faculty vote of no confidence in his leadership — the grant money might never have gone missing, they say.

"The University of Louisville, like everybody, is aspiring to bring in more grant dollars," says Bryant A. Stamford, a professor of exercise science at Hanover College who left Louisville's faculty in 2005 after a dispute with Mr. Felner. "When you put yourself in that position, it's pretty amazing what you're willing to do. You sacrifice the infrastructure of the university in order to put out a report that says, Look, grants are up by 60 percent this year."

The Louisville affair comes at a time when officials of Emory University, Harvard University, and other institutions have faced Senate investigations revealing that scholars had failed to disclose hundreds of thousands of dollars they had received from pharmaceutical companies. Throughout the country, research administrators are asking themselves if tougher rules could detect miscreants, or whether determined liars will always find a way around the rules.

Throwing a Bone

In 2005, two years after he arrived at Louisville, Mr. Felner won his $694,000 earmarked federal grant, which was billed as "Support and Continuous Improvement of No Child Left Behind in Kentucky."

The earmark was sponsored by U.S. Representative Anne M. Northup, a Republican who then represented Kentucky's third district. It is easy to see what might have attracted Ms. Northup to Mr. Felner's proposal: He claimed to have lined up cooperation from a host of Kentucky school districts and public officials, and he could point to the track record of his Rhode Island center.

In fact, the proposal promised not only to replicate the success of Mr. Felner's Rhode Island center. It promised to bring the Rhode Island center to Louisville. The National Center on Public Education and Social Policy was "formerly located at the University of Rhode Island" and would "now be subsumed under the aegis of" Mr. Felner's Louisville office, the proposal said.

So maybe it should have raised eyebrows among Louisville's research administrators when in March 2006, only a few months after he had won the earmark, Mr. Felner sent $60,000 of the grant money to Rhode Island.

The "work plan" attached to that subcontract was a blizzard of verbiage that said nothing very specific about what the Rhode Island center was supposed to do with the $60,000. "The National Center on Public Education and Social Policy at the University of Rhode Island agrees to provide data analysis and support relating to critical questions and educational research issues focused on No Child Left Behind Initiatives for project work conducted by the University of Louisville," the plan read. "By subcontracting with the University of Rhode Island, the NCLB Center can begin work immediately with data collected by the Center. URI's established level of expertise and technological capabilities are sophisticated enough to assimilate endeavors of this magnitude seamlessly while the Center is in the process of building their systems and personnel."

The $60,000 actually had nothing to do with Mr. Felner's earmark, according to federal prosecutors and officials at Rhode Island. Instead, they say, Mr. Felner was throwing a bone to his former colleagues, whom he and Mr. Schroeder had cheated out of more than $1.7-million in income.

Here we need to make a quick detour into the heart of the prosecutors' allegations. Between 2000 and 2003, the Rhode Island center conducted tens of thousands of surveys in public schools in Atlanta, Buffalo, and Santa Monica. But Mr. Felner and Mr. Schroeder allegedly tricked the three districts into sending their payments to their fraudulent Illinois organization, whose name was very similar to the Rhode Island center's. (In Rhode Island: the National Center on Public Education and Social Policy. In Illinois: the National Center on Public Education and Prevention.) The Illinois money then flowed into the two men's bank accounts, prosecutors say. Mr. Felner owns four houses whose combined value is more than $2-million.

Stephen Brand, a professor of education at Rhode Island who worked on the three survey projects, says that Mr. Felner strung the center along with vague promises and explanations about why the school districts' money had not materialized. But Mr. Brand says he does not know many details. "I haven't seen copies of those three contracts," he says. "I don't think anyone here has ever seen them." (Anne Seitsinger, the Rhode Island center's director, declined repeated requests for an interview.)

In any case, the Rhode Island center managed to survive for several years without the $1.7-million because it had accumulated a substantial surplus from its multiyear, multimillion-dollar survey contract with the state of Rhode Island. But by 2005 it was facing a deficit. That year, according to *The Providence Journal*, the center's business manager wrote to Mr. Felner in Louisville: "Are you giving out loans? We sure need one right now."

The $60,000 subcontract was apparently just such a "loan." The money was used only to cover the Rhode Island center's operating deficit. Despite its purported power to "assimilate endeavors of this magnitude seamlessly," the Rhode Island center never actually did any work on the earmarked Louisville grant.

Robert A. Weygand, Rhode Island's vice president for administration, concedes that it was wrong for the center to accept the $60,000, and he says the university has tightened the oversight of all its research centers. But he emphasizes that federal prosecutors have not charged anyone at Rhode Island with any crime. "What they've told us is that we're a victim of a million-dollar theft," Mr. Weygand says. "We have a right to compensation from any funds that may be recovered from Mr. Felner. We've been working with the Secret Service."

Budget Details

The $60,000 Rhode Island subcontract was only a prelude. At the end of 2006, Mr. Felner told his colleagues that Louisville needed to sign a $250,000 personal-services contract with the Illinois center. His grant proposal had said nothing about the Illinois center, but Mr. Felner now declared that that center, as the "developer/owner of the High Performance Learning Communities Assessments," was the only entity that could effectively survey students and teachers in Kentucky. At the end of 2007, he sent another $200,000 to Illinois. According to prosecutors, the entire $450,000 eventually ended up in Mr. Felner's and Mr. Schroeder's wallets.

Where the work plan on the Rhode Island subcontract had been flowery and vague, the work plans on the Illinois subcontracts were curt and vague. The first one said only that the Illinois center would "provide for the use" of the survey assessments "and the use of data derived therefrom." The second one said that the Illinois center would provide survey data from 135,000 students, 50,000 parents, and 10,500 teachers — but it did not name any Kentucky school districts where the surveys would be conducted.

E-mail records offer a detailed tracing of how that second Illinois subcontract was constructed. The process suggests how Mr. Felner tended to parry research administrators' efforts — such as they were — to wring accurate information from him.

On November 9, 2007, Jennifer E. Taylor, director of grant support and sponsored programs at the college of education, wrote to Mr. Felner to report that she had spoken with B. Ann LaPerle, an assistant in the university's office of grants management. "I just spoke with Ann about the subcontract with Tom [Schroeder]'s group," Ms. Taylor wrote. "We are going to need a detailed budget, so if you have time today, we can get this out and processed."

Mr. Felner replied with a small tantrum. "I have no idea what that means but will try as we have never done such a thing," he wrote. "We tend to pay them by the number of students and surveys but since we do not have enough to actually pay for it all so they are giving us some for free this could be tricky. And given the delays already if it takes another week or so we simply will not be able to do it this year nor finish the work. Unbelievable!"

Later that day, Ms. Taylor wrote to Ms. LaPerle, instructing that the subcontract's detailed budget should read simply "$1 per survey for 200,000 surveys."

But hours later, Mr. Felner weighed in with a more detailed budget — the one that ultimately appeared on the subcontract. Mr. Felner's version stipulated 135,000 student surveys at a price of $1.25 each, 10,500 teacher surveys at $1.45 each, and so on through several more categories.

Apparently no one questioned the discrepancy between the two versions. And neither Ms. LaPerle nor Ms. Taylor asked for any proof that the Illinois center had done any work on its first subcontract, which had been signed almost a year earlier.

It is that last element that seems most startling. It must have been an open secret in Ms. Taylor's office that the Illinois group had received $250,000 at the beginning of 2007 but that no surveys had been conducted. Ms. Taylor has left the university. Her supervisor, Mr. Ronau, declined requests for an interview.

So why did Louisville officials not catch this apparent fraud for a full two years? The Rhode Island subcontract said the center was supposed to submit a final report by the end of September 2006, but no report was ever submitted. The Illinois contracts likewise specified report dates, and one of them said that its work would require approval by a human-subjects-protection board. None of that ever happened — but there is no evidence that anyone objected before the spring of 2008.

"This person was a dean," says Ms. Willihnganz, the provost. "And deans here have a very wide breadth of control. They have a lot of authority. I think, in fact, no one else here at this university could have gotten some of those things through. Because he was a dean, he was trusted."

Misplaced Trust

But that is exactly what many of Mr. Felner's former colleagues dispute. Louisville's leaders, they say, had plenty of reason to distrust Mr. Felner long before he began to send six-figure checks to Illinois.

Beginning in 2004, the university's grievance officers were approached dozens of times by faculty members and students with complaints about Mr. Felner's temperament and personnel decisions. Many of those records were first described last year by Page One Kentucky, a political blog that has aggressively covered Mr. Felner's story (and whose comment section has become a meeting ground for aggrieved faculty members at Louisville).

"If you were on his good list, you could do literally anything," says Mr. Stamford, the former Louisville professor, whom Mr. Felner had promoted as chair of the department of health and sport sciences. "He was treating me extraordinarily well."

But then, in early 2005, Mr. Stamford heard "a horrible story" from a female graduate student who claimed that Mr. Felner had made advances toward her and then, after being rebuffed, retaliated by increasing the number of hours required for her research assistantship.

"By law, I had to report that," Mr. Stamford says. "You can imagine how conflicted I felt. Of course my report was supposed to be confidential, but within two hours after I filed it, he knew. And he came after me with the same vengeance — it was sort of the flip side. First he had picked me to be his man, and he gave me the moon. But then he came after me with that same energy."

The Chronicle has obtained the formal report that resulted from that graduate student's grievance. The university's employee-relations committee, after interviewing more than a dozen people, determined that there was not enough evidence to support the student's claim.

After that episode, Mr. Stamford says, Mr. Felner tried to interfere with the terms of his retirement package. He soon filed a grievance of his own.

He was not alone. The university's faculty-grievance officer calculated in 2006 that the College of Education and Human Development, which employs fewer than 10 percent of Louisville's faculty, had accounted for 55 percent of her consultations during the preceding academic year.

In December 2005, Pedro R. Portes, who was then an associate professor of education at Louisville, wrote to the provost with a long litany of allegations about Mr. Felner's conduct, including violations of faculty governance, sexual harassment, and dubious expenditures.

Three months later — on the very day, as it happens, that the $60,000 subcontract with Rhode Island was signed — Mr. Portes spoke on behalf of Mr. Felner's critics at an emotionally charged faculty meeting. The meeting ended with a 27-24 vote of no confidence in Mr. Felner. (Roughly half of the college of education's faculty members took part in the vote.)

Mr. Portes, who is now a professor of Latino education at the University of Georgia, says the university never adequately answered that cry for help. After the vote, Ms. Willihnganz hired a mediation company called Just Solutions to review morale at the college of education — but after interviewing many faculty members, the company never filed a final report.

"I talked to a lot of people" after the no-confidence vote, Ms. Willihnganz says. "There were detractors, but there were also supporters. My hope was that Just Solutions could come in and find some common ground to go forward. They completed some faculty interviews — but in all honesty, at that point I realized that they weren't going to be able to accomplish what I had hoped."

Several months later, a faculty member circulated an anonymous note that read, "It appears that the Provost has chosen to bury that [Just Solutions] report without giving any feedback to faculty. ... Now the dean likes to taunt people about how nothing came of any of our complaints."

Ms. Willihnganz says the university has learned lessons from that episode. Late last year the faculty senate was invited to overhaul the grievance system. And Louisville has created a new ombudsman's office, which Ms. Willihnganz says will offer staff members a chance to raise concerns in a safe setting.

Picking Up the Pieces

Now the university faces a different long-term task: picking up the pieces of Mr. Felner's mess. W. Blake Haselton, a former county superintendent in Kentucky, has been appointed interim dean of the college of education. Unlike his predecessor, Mr. Haselton's background promises steady leadership, not flashy research grants.

And in March, the university's auditor reported to the Board of Trustees about a long list of universitywide accounting and research-compliance reforms that would be put into place.

Among many other things, college-level financial officers will now report directly to the university's vice president for finance instead of answering only to their deans.

Louisville is not the only campus that is feeling the sting of research-misconduct allegations. Sen. Charles E. Grassley, an Iowa Republican, has accused several universities — most recently, the University of California at Los Angeles — of failing to police their faculty members' external payments from medical companies.

Those cases, like Mr. Felner's, might have been detected sooner if the universities had insisted on examining the personal income-tax records of principal investigators on their faculties. To many people, that sounds like a cumbersome and intrusive step, but Ms. Willihnganz says it is something her university may have to consider.

"We will probably have much more stringent procedures in place than you will see in other places," Ms. Willihnganz says. "I will not trust as easily."

But Mr. Stamford is not satisfied by such promises. Last September he and 20 other faculty members who left the college of education during Mr. Felner's tenure wrote to Louisville's Board of Trustees, asking it to scrutinize how complaints about Mr. Felner had been handled by Ms. Willihnganz and by James R. Ramsey, the university's president.

"Felner often bragged openly at faculty meetings that he had the full support of the provost and president," the letter said. "Faculty should feel free to speak their mind and be counted. Yet, when faculty did exactly that, they were systematically ignored and targeted for further abuse by Felner."

Today Mr. Stamford is watching the progress of Mr. Felner's criminal case from Indiana. "It's just a shame," says Mr. Stamford, recalling the energy and charisma that Mr. Felner brought to Louisville. "It's unnecessary. Here's a guy making a quarter of a million dollars a year. He could have been on top."

A TIMELINE OF RESEARCH GONE WRONG

1996: Robert D. Felner leaves the U. of Illinois to become the director of the U. of Rhode Island's School of Education.

1997: Mr. Felner helps create the National Center on Public Education and Social Policy, a research center at Rhode Island.

2001: Mr. Felner and Thomas Schroeder file paperwork to create a nonprofit organization in Illinois with a similar name: the National Center on Public Education and Prevention. Meanwhile, the Rhode Island center begins surveys of students and teachers in three states, but those three school districts send their payments to the Illinois center — money that prosecutors say flowed into Mr. Felner's and Mr. Schroeder's personal accounts.

2003: Mr. Felner becomes dean of the U. of Louisville's College of Education and Human

Development.

September 2005: Mr. Felner and the university win a $694,000 earmarked federal grant to create a research center that will help improve Kentucky public schools.

March 2006: Mr. Felner sends $60,000 from the earmarked grant to his former center at Rhode Island, apparently to mollify colleagues there. At Louisville, education faculty members vote no confidence in his leadership.

January 2007: At Mr. Felner's instruction, Louisville signs a $250,000 personal-services contract with the Illinois center.

December 2007: Again at Mr. Felner's instruction, Louisville signs a $200,000 subcontract with the Illinois center.

May 2008: Mr. Felner announces that he will leave Louisville to become chancellor of the U. of Wisconsin-Parkside. Only $96,000 remains from the earmarked grant, but Mr. Felner asks for a final $200,000 payment to the Illinois center.

June 2008: Federal agents raid Mr. Felner's Louisville office and interrogate him for several hours. He withdraws from the Wisconsin job.

October 2008: A federal grand jury indicts Mr. Felner on nine counts of mail fraud, money laundering, and tax evasion.

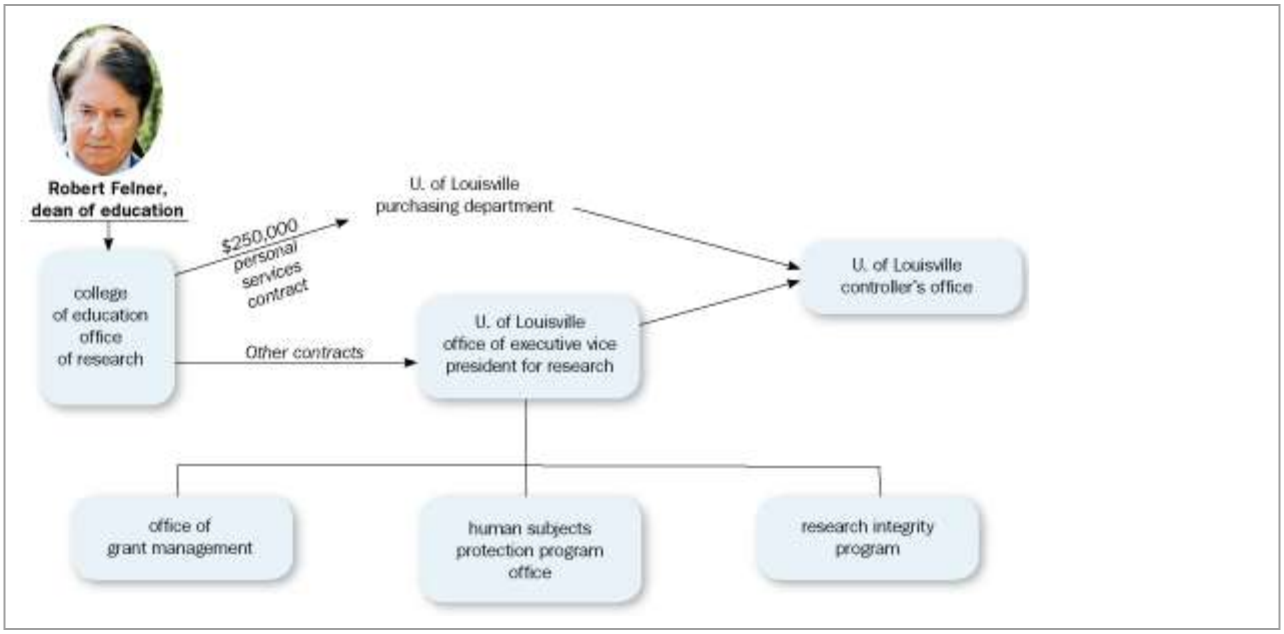
HOW RED TAPE MIGHT HIDE RED FLAGS

The University of Louisville, like other institutions, has struggled to bring order and coherence to its research-administration system. A single federal grant might be monitored by multiple offices there: one office to verify researchers' time-and-effort reports, another office to approve subcontracts, yet another to oversee the protection of research subjects.

Does that fragmentation allow some things to slip through the cracks? Robert D. Felner, a former dean of education at Louisville, has been indicted on charges that he misappropriated a $694,000 federal grant.

At one point, Mr. Felner set up a subcontract as a personal-services contract, which allowed him to bypass some layers of supervision.

In March, Louisville's Board of Trustees received a report on plans to improve the system. Deans will have less unilateral power to make purchases, and the university will "develop a central process to monitor research projects for compliance."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